

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION PURSUANT TO 1994)	
HOUSE BILL NO. 501 FOR THE APPROVAL OF)	
KENTUCKY POWER COMPANY)	
COLLABORATIVE DEMAND-SIDE MANAGEMENT)	
PROGRAMS AND FOR AUTHORITY TO)	CASE NO.
IMPLEMENT A TARIFF TO RECOVER COSTS,)	2012-00051
NET LOST REVENUES, AND RECEIVE)	
INCENTIVES ASSOCIATED WITH THE)	
IMPLEMENTATION OF THE KENTUCKY POWER)	
COMPANY COLLABORATIVE DEMAND-SIDE)	
MANAGEMENT PROGRAMS)	

O R D E R

On February 13, 2012 Kentucky Power Company (“Kentucky Power”) and its Demand-Side Management (“DSM”) Collaborative,¹ with the exception of the Office of the Attorney General of Kentucky (“AG”), filed a joint application (“Application”) with the Commission. The Application included: (1) a revised tariff containing revised DSM surcharges for Kentucky Power’s residential and commercial customers to become effective on and after March 29, 2012, (2) a request for approval of a new three-year contract with the National Energy Education Development (“NEED”) to run from 2012 through 2014, and (3) a request for approval of an increase in the Targeted Energy

¹ The voting members of the Residential Class DSM Collaborative are: Kentucky Power; the AG; Community Action Kentucky; Northeast Kentucky Community Action Agency; Big Sandy Community Action Agency; Middle Kentucky Community Action Partnership, Inc.; Gateway Community Action Council; LKLP Community Action Council; Community Services - LINKS and BSADD Aging; and Kentucky Housing Corporation. The voting members of the Commercial Class DSM Collaborative are: Kentucky Power; the AG; Floyd County Schools; and Our Lady of Bellefonte Hospital.

Efficiency program participation from 405 to 425 customers. Based upon its initial review of Kentucky Power's proposed tariff, the Commission found in its February 24, 2012 Order that additional inquiry was necessary to determine the tariff's reasonableness and, pursuant to KRS 278.190(2), the proposed effective date was suspended for five months, up to and including August 28, 2012. The AG sought and was granted full intervention.

A procedural schedule was established allowing for two rounds of discovery. Kentucky Power was subject to one information request from the AG and two information requests from Commission Staff ("Staff"). Discovery is complete and the matter now stands submitted to the Commission for a decision based upon the record.

DISCUSSION OF PROGRAMS

Current programs, as described by Kentucky Power, are as follows:

1. Targeted Energy Efficiency Program - This is a residential weatherization program that is promoted solely through the Community Action agencies and is designed to improve energy efficiency ("EE") for low-income customers through energy audits coupled with installation of various energy conservation measures for both all-electric and non-all-electric customers. Measures include energy audit; inspection of heating equipment; weather-stripping; caulking of windows and exterior doors; blower door analysis with air and duct sealing; water heater blanket, pipe insulation, and thermostat setback; attic, floor, and wall insulation; CFL bulbs; and structural repairs that have EE value.

Kentucky Power requests an increase in participation level from 405 to 425 customers. This program was approved to continue through 2014 in Case No. 2011-00300.²

2. Mobile Home Heat Pump Program – This program is designed to promote a more efficient heating, ventilation and air conditioning (“HVAC”) system for mobile homes. The program is promoted through HVAC contactors. Incentives are paid to both the HVAC dealers and the customers who purchase high-efficiency heat pumps to replace their existing electric furnaces. The customer incentive is \$400 and the dealer incentive is \$50. This program was approved to continue through 2014 in Case No. 2011-00300.³

3. Mobile Home New Construction Program – This program is designed to lower electric usage in new mobile homes by paying incentives to mobile home dealerships and the customers who purchase new mobile homes with high efficiency heat pumps and Zone 3 insulation packages. The customer incentive is \$500 and the dealer incentive is \$50. This program was approved to continue through 2014 in Case No. 2011-00300.⁴

4. Modified Energy Fitness Program – This program is designed to promote conservation and efficient use of electricity by improving the energy fitness of electrically

² Case No. 2011-00300, Application of Kentucky Power Company for Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs and Net Lost Revenues and Receive Incentives Associated with the Implementation of the Kentucky Power Company Collaborative Demand-Side Management Programs (Ky. PSC Jan. 23, 2012).

³ *Id.*

⁴ *Id.*

heated residences with a minimum average monthly usage of at least 1,000 kWh. The measures include energy audits, blower door testing, caulking and weather-stripping, three faucet aerators, two low-flow showerheads, one CFL, hot-water pipe insulation, duct sealing, a water heater wrap, a door sweep, hot-water heater temperature turn-down, and programmable thermostat. An audit report is also provided recommending additional actions the homeowner could take. There is no income level requirement with this program. This program was approved to continue through 2013 in Case No. 2011-00300.⁵

5. High Efficiency Heat Pump Program – This program is designed to reduce residential electric energy consumption by upgrading less efficient electric heating and cooling systems with high-efficiency heat pumps. The customer incentive is \$400 and the dealer incentive is \$50. This program was approved to continue through 2014 in Case No. 2011-00300.⁶

6. Energy Education for Students Program – This program is designed as both an energy education program and a program to promote energy efficient lighting in residential homes. Kentucky Power works with the Kentucky NEED project to provide energy education materials to participating middle schools. Each seventh grade student at the participating schools receives a package of four CFL bulbs.

The Collaborative requests a new three-year contract with NEED to run from 2012 through 2014. The projected fees under the new contract would remain at the current levels, but would include more contract controls to improve teacher participation

⁵ *Id.*

⁶ *Id.*

levels with NEED-administered program energy education. This program was approved to continue through 2014 in Case No. 2011-00300.⁷

7. Community Outreach CFL Program -- This program is designed to promote the conservation and efficient use of electricity by encouraging the use of energy efficient Energy Star CFL bulbs in place of incandescent light bulbs in residential homes. This program was approved to continue through 2014 in Case No. 2011-00300.⁸

8. Residential Efficient Products Program – This program provides incentives and marketing through retailers to build market share and promote usage of Energy Star lighting products to reduce the amount of energy consumed by home lighting. This program was approved to continue through 2012 in Case No. 2010-00095.⁹

9. Residential and Commercial Heating, Ventilation, and Air Conditioning Diagnostic and Tune-Up Program – This program works with participating licensed HVAC dealers and targets residential and small commercial customers with HVAC system performance problems. The objective of this program is to reduce energy usage by conducting a diagnostic performance check on unitary air conditioning and heat pump units, air restricted indoor and outdoor coils, and over/under refrigerant charges.

⁷ *Id.*

⁸ *Id.*

⁹ Case No. 2010-00095, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs, and for Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of One New Residential, One Combined Residential/Commercial and One Commercial Demand-Side Management Program Beginning January 1, 2010 (Ky. PSC Aug. 10, 2010).

The customer and dealer incentives are: residential \$50; commercial \$75; and dealer \$50. This program was approved to continue through 2012 in Case No. 2010-00095.¹⁰

10. Residential and Small Commercial Load Management Program - The purpose of this program is to reduce peak demand through the installation of load control devices on residential and commercial central air conditioners, heat pumps and/or electric water heaters. This is accomplished by reducing the duty cycle of air conditioning equipment and turning off water heaters during peak periods. The customer incentives are in the following table:

	Customer	
	Residential	Commercial
Air Conditioner or Heat Pump per unit 1/	\$5	\$5
Electric Water Heater per unit 2/	\$1	\$1

1/ Months of June, July, August, and September

2/ Months of June, July, August, September, October, November, December, January, and February

This program was approved to continue through 2012 in Case No. 2010-00198.¹¹

11. Commercial High Efficiency Heat Pump/Air Conditioner Program – This program offers a financial incentive to small commercial customers (less than 100 kW demand) who purchase a new qualifying central air conditioner or heat pump, up to a five-ton unit, with a Consortium for Energy Efficiency (CEE) Tier 1 rating and who

¹⁰ *Id.*

¹¹ Case No. 2010-00198, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of One New Combined Residential/Commercial and One Commercial Demand-Side Management Program Beginning August 2, 2010 (Ky. PSC Oct. 15, 2010).

comply with pertinent eligibility requirements of this program. In addition, the program offers financial incentives to dealers who sell these high efficiency units. This program targets the existing retrofit market only. The customer and dealer incentives are shown in the following table:

	Customer		Dealer
	Air Conditioner	Heat Pump	
36,000 or fewer Btu/hr	\$250	\$300	\$50
36,000 to 65,000 Btu/hr	\$400	\$450	\$50

This program was approved to continue through 2012 in Case No. 2010-00095.¹²

12. Commercial Incentive Program – This program is designed to address cost-effective electricity savings measures not addressed or offered through other Kentucky Power programs. All commercial customers are eligible to participate and all projects must be pre-approved by Kentucky Power prior to purchase and installation of any equipment or materials. Eligible measures include lighting, HVAC, and motor and drive measures. Incentives for qualifying prescriptive measures will vary and will be provided to participating customers at the lesser of (1) a calculated incentive level, or (2) up to 50 percent of the incremental equipment cost of qualifying energy-efficient products (i.e., those costs above federal and/or state efficiency levels). This program was approved to continue through 2012 in Case No. 2010-00198.¹³

¹² Case No. 2010-00095, Kentucky Power Company (Ky. PSC Aug. 10, 2010).

¹³ Case No. 2010-00198, Kentucky Power Company (Ky. PSC Oct. 15, 2010).

The table below lists the projected participants and program budget for 2012.

Programs	Projected Participants	Projected Budget
Targeted Energy Efficiency	425	\$400,000
Mobile Home Heat Pump	210	\$94,500
Mobile Home New Construction	190	\$104,750
Modified Energy Fitness	1,200	\$427,000
High Efficiency Heat Pump	750	\$337,500
Energy Education for Students (NEED)	2,000	\$31,700
Community Outreach CFL	4,800	\$58,500
Residential Efficient Products	133,143	\$355,205
Residential and Commercial Heating, Ventilation, and Air Conditioning Diagnostic and Tune-up	1,170	\$158,640
Residential and Small Commercial Load Management	240	\$303,185
Commercial High Efficiency Heat Pump/Air Conditioner	60	\$50,470
Commercial Incentive	172	\$1,630,725
Total	144,360	\$3,952,175

COMMISSION'S CONCERN AS TO PROMOTION AND PARTICIPATION

In Case No 2011-00300,¹⁴ the Commission expressed their concern that Kentucky Power had requested authority to reduce the 2011 projected participation levels and program budget amounts for the Commercial High Efficiency Heat Pump/Air Conditioner Program and the Residential and Small Commercial Load Management Program.

The amount of reduction Kentucky Power requested in participation for the Commercial High Efficiency Heat Pump/Air Conditioner Program is from 120 to 65 participants and the program budget from \$69,000 to \$47,100. For the Residential and Small Commercial Load Management Program a reduction requested in

¹⁴ Case No. 2011-00300, Kentucky Power Company (Ky. PSC Jan. 23, 2012).

participation was from 1,040 to 550 participants, and a reduction in the program budget was from \$613,415 to \$289,626.

The 2011 actual participation for the Commercial High Efficiency Heat Pump/Air Conditioner Program was 21 heat pumps and 3 air conditioners, with program costs of \$23,516. For the Residential and Small Commercial Load Management Program, the actual participation was 10 participants and the program costs were \$117,813.

In Staff's First Request for Information, Item 21, the Staff asked what efforts Kentucky Power had made or is planning to make to develop and promote cost-effective DSM programs. Kentucky Power responded saying it had increased its marketing and promotion spending 120 percent from \$73,558 in 2010 to \$161,614 in 2011. Some of the program marketing activities included Kentucky Power's website, bill inserts, customer bill messages, fact sheets provided to vendors and Community Action agencies, Customer Solution Center ("CSC") on-hold messaging of certain programs, updated CSC reference guides, newspaper advertisement, direct customer mailers, customer letters, postcards, and phone messaging.

Outside of the DSM programs, Kentucky Power offers newspaper and television advertisements that include general promotion of energy efficiency and DSM programs. The cost of such advertisement is not included with the filed DSM expenses.

In 2012, for the Commercial High Efficiency Heat Pump/Air Conditioner Program, Kentucky Power has projected 60 participants and a program budget of \$50,470. For the Residential and Small Commercial Load Management Program, Kentucky Power has projected 240 participants and a program budget of \$303,185.

The Commission continues to encourage Kentucky Power to make every effort to educate its customers that participation in demand-side management programs represents one way in which the customers can manage ever-increasing energy costs.

The Commission will continue to closely monitor Kentucky Power's efforts to develop and promote cost-effective DSM programs.

SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Kentucky Power has kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on these programs.

2. Kentucky Power's proposed residential and commercial DSM surcharge factors contained in its February 13, 2012 Application reflecting recovery of costs associated with the implementation of its DSM programs, including net lost revenues and incentives associated with the programs, are reasonable and should be approved.

3. Kentucky Power's request for approval of a new three-year contract with the National Energy Education Development should be approved and, once the contract has been signed, a copy should be provided to the Commission.

4. Kentucky Power's proposed increase in participation levels from 405 to 425 for the Targeted Energy Efficiency Program should be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed residential and commercial DSM surcharge factors as shown in its February 13, 2012 Application are approved effective for service rendered on and after May 30, 2012.

	Proposed DSM Factor	Existing DSM Factor
Residential	\$0.000826	\$0.000849
Commercial	\$0.000538	\$0.001529

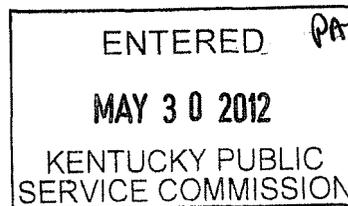
2. Kentucky Power's request for a new three-year contract with the National Energy Education Development is approved, and a copy shall be filed with the Commission within 10 days of the date of this Order.

3. Kentucky Power's proposed increase in participation levels from 405 to 425 for the Targeted Energy Efficiency Program is approved.

4. Within 10 days of the date of this Order, Kentucky Power shall file a revised tariff showing the date of issue and that it was issued by authority of this Order.

5. Any document filed in the future pursuant to ordering paragraph 2 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:

Executive Director

Jennifer B Hans
Assistant Attorney General's Office
1024 Capital Center Drive, Ste 200
Frankfort, KENTUCKY 40601-8204

Lila P Munsey
Manager, Regulatory Services
Kentucky Power
101A Enterprise Drive
Frankfort, KENTUCKY 40601